FMS RESERVE MATERIAL

NAVAIR
FMS Reserve Program Overview

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NAVAL AVIATION SYSTEMS TEAM

Background

- Prior to 1997: Unresourced expenses for retention of “excess” material caused wholesale disposals applicable to FMS life cycle support and potential new business
- Apr 97: Navy SYSCOMs establish “FMS Reserve”
- Oct 97: NAVAIR commences sales to self-sustain the program based on NAVAIR/NAVICP MOA
- Nov 97: NAWCADLKE “bankrolls” $640K start up costs
- May 98: Sales credits meet and exceed start up costs
- Aug 00: NAVAIR 3.5 adopts policy of free issue to fill emergent fleet requirements

What is the FMS Reserve?

- Mandated by DoD in 1995 to protect materials required to meet future FMS needs
- Includes supply system assets and Sponsor Owned Material (SOM)
- Program is self-sustained through the sales of material
- NAVAIR operations detailed in NAVAIR FMS Reserve Business Rules of May 2001.

Roles/Responsibilities

- **FMS Reserve Board (AIR-1.4, 3.0F, 3.5):**
  - Overall Policy & Oversight
- **AIR-3.5.3:**
  - SOM/TAV Policy
  - Operating Expense Budget Authority
- **NAWCAD Lakehurst:**
  - Financial Management and Execution
  - Program and Direct Sales Management
- **NAVICP:**
  - Supply System Sales Management
  - Optimize Sales/Credits IAW MOA
- **Programs:**
  - FMS Strategic Planning Inputs
  - Material Retention Code Authority

Sources of Monetary Credits to the Program

- **NAVICP**: turn in of NAVAIR SOM to fill requisitions
- **DLA**: turn in of NAVAIR SOM consumables to fill requisitions
- **NAWCADLKE**: Direct sales of NAVAIR SOM support equipment for FMS initial outfitting and follow on life cycle support

NAVAIR FMS Reserve Cost Recovery FY98 thru 02

$7.6M

NAVICP turn-ins
(Standard Price)

- Surcharge to Stock Fund
- Balance to NAVAIR

$12.0M

Direct Case Sales
(Standard Price adjusted for age or condition)

- 100% to NAVAIR Thru DFAS.

$119K

DLA Turn-ins
(*Acq. Price + 5.5% f/Proc. Offsets
Std. Price + 5.5% f/Backorders)

- 100% to NAVAIR Thru DZE Credit process.

NAVAIR
(NAWCAD LKE NWCF)

*5.5% for transportation and handling

Status

- Annual credits and expenses stabilizing at approximately $3.0M per year
- Perpetual solvency continues to be a reasonable expectation
- Approx $2.7M available balance at end of FY02

Initiatives

- Direct Commercial Sale of Defense Articles and Services to Domestic Companies
- ROR
- Inventory Objective
- NAVAIR - NAVICP MOA